

AMENDED IN ASSEMBLY MARCH 29, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 817

Introduced by Assembly Member Maze

February 22, 2007

An act to amend Section 5230 of the Corporations Code, relating to ~~nonprofit public benefit corporations~~ add Sections 2730, 2731, 2732, 2733, 2734, and 2735 to the Public Utilities Code, relating to mutual water companies.

LEGISLATIVE COUNSEL'S DIGEST

AB 817, as amended, Maze. ~~Nonprofit public benefit corporations: board.~~ *Mutual water companies: supervisory committee.*

Existing law provides that a mutual water company that delivers water at cost only to its stockholders or members, or to certain public agencies or other mutual water companies, is not a public utility subject to regulation by the Public Utilities Commission.

This bill would require that every mutual water company have a supervisory committee and provides that the powers of the committee include, among other things, the power to fill vacancies in the supervisory committee until the next annual member meeting, to declare vacant any office of the supervisory committee, to supervise the acts of the board of directors, and to review the mutual water company's policies and control procedures to safeguard against fraud and self-dealing. The bill would require the supervisory committee to make or cause to be made an audit of the books and records and an examination of the business affairs of the mutual water company and authorize the committee to make supplementary inspections and audits. The bill would require the supervisory committee to make a full report

of the assets, receipts, and disbursements of the mutual water company to the board of directors and file the report with the records of the mutual water company. The bill would require the supervisory committee to present these reports at an annual meeting. The bill would authorize the supervisory committee to make or cause to be made any supplementary inspections of the securities, cash, and accounts of the mutual water company or audits and submit those audits to the board of directors.

This bill would require that no member of the supervisory committee serve as a member of the mutual water company board of directors or as an employee of the mutual water company. The bill would require that members be elected by the stockholders or general membership of the mutual water company and serve for a term of 2 years for a maximum of 4 terms. The bill would require that the terms be staggered for purposes of continuity.

~~Existing law, the Nonprofit Public Benefit Corporation Law, regulates the organization and operation of nonprofit public benefit corporations and specifies that each corporation shall have a board of directors. Existing law states that specified duties and liabilities apply irrespective of whether a director is compensated.~~

~~This bill would make a technical, nonsubstantive change to that provision.~~

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 2730 is added to the Public Utilities Code,
- 2 to read:
- 3 2730. Each mutual water company shall have a supervisory
- 4 committee of at least three persons, each of whom shall be a
- 5 stockholder or member of the mutual water company.
- 6 SEC. 2. Section 2731 is added to the Public Utilities Code, to
- 7 read:
- 8 2731. The supervisory committee may:
- 9 (a) Suspend at any time by unanimous vote, at a meeting called
- 10 for that purpose, any member of the board of directors, or any
- 11 officer.
- 12 (b) By a majority vote call a meeting of the stockholders or
- 13 members to consider any violation of this chapter or the bylaws,

1 *or any practices of the mutual water company which, in the opinion*
2 *of the committee, are unsafe or unauthorized.*

3 *(c) Inspect the securities, cash, and accounts of the mutual water*
4 *company.*

5 *(d) Fill vacancies in the supervisory committee until the next*
6 *annual meeting of the stockholders or members.*

7 *(e) Declare vacant any office of a member of the supervisory*
8 *committee if the member is absent from three consecutive regular*
9 *meetings of the supervisory committee unless excused or is*
10 *completely inactive as a member of the supervisory committee for*
11 *a consecutive 12-month period.*

12 *SEC. 3. Section 2732 is added to the Public Utilities Code, to*
13 *read:*

14 *2732. The supervisory committee shall be responsible for*
15 *reviewing the mutual water company's policies and control*
16 *procedures to safeguard against fraud and self-dealing, and the*
17 *supervisory committee shall exercise any efforts necessary to meet*
18 *those responsibilities.*

19 *SEC. 4. Section 2733 is added to the Public Utilities Code, to*
20 *read:*

21 *2733. The supervisory committee shall, within seven days after*
22 *suspension of any member of the board of directors, or any other*
23 *officer, cause notice of a special meeting to be given to the*
24 *stockholders or members to take any action regarding the*
25 *suspension as the stockholders or members deem necessary.*

26 *SEC. 5. Section 2734 is added to the Public Utilities Code, to*
27 *read:*

28 *2734. (a) The supervisory committee shall at least once each*
29 *year make or cause to be made an audit of the books and records*
30 *and an examination of the business and affairs of the mutual water*
31 *company. The supervisory committee shall make a full report of*
32 *the assets, receipts, and disbursements of the mutual water*
33 *company to the board of directors. Those reports shall be presented*
34 *at the annual meeting of stockholders or members and filed with*
35 *the records of the mutual water company.*

36 *(b) The supervisory committee may make or cause to be made*
37 *any supplementary inspections of the securities, cash, and accounts*
38 *of the mutual water company or audits as it deems necessary, and*
39 *submit reports of those audits to the board of directors.*

1 *SEC. 6. Section 2735 is added to the Public Utilities Code, to*
2 *read:*

3 *2735. A member of the supervisory committee shall not serve*
4 *as a member of the mutual water company board of directors, or*
5 *as an employee of the mutual water company. The members of the*
6 *supervisory committee shall be elected by the stockholders or the*
7 *general membership of the mutual water company and shall serve*
8 *for a term of two years. Each member may serve a maximum of*
9 *four consecutive terms. For purposes of continuity, those terms*
10 *shall be staggered.*

11 ~~SECTION 1. Section 5230 of the Corporations Code is~~
12 ~~amended to read:~~

13 ~~5230. (a) Any duties and liabilities in this article shall apply~~
14 ~~without regard to whether a director is compensated by the~~
15 ~~corporation.~~

16 ~~(b) Part 4 (commencing with Section 16000) of Division 9 of~~
17 ~~the Probate Code does not apply to the directors of any corporation.~~